

Message Text

UNCLASSIFIED

PAGE 01 SAO PA 01777 01 OF 02 131632Z

45

ACTION ARA-20

INFO OCT-01 ADP-00 IGA-02 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-03 USIA-15 PRS-01 SCEM-02 INT-08

AGR-20 RSR-01 L-03 H-03 TAR-02 /189 W

----- 074037

R 131345Z AUG 73

FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 4464

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL RECIFE

AMCONSUL PORTO ALEGRE BY POUCH

AMCONSUL SALVADOR BY POUCH

UNCLAS SECTION 1 OF 2 SAO PAULO 1777

E.O. 11652: N/A

TAGS: EGEN, BR

SUBJECT: SAO PAULO ECONOMY BOOMS IN FIRST HALF OF 1973

SUMMARY - BUSINESS IN SAO PAULO BROKE ALL PAST RECORDS IN THE FIRST HALF OF 1973 WITH PRACTICALLY ALL INDUSTRIES SHOWING VERY SUBSTANTIAL GAINS. STATE REVENUE FROM TAXES ALSO ROSE AT A RAPID PACE. EXPORTS FAR EXCEEDED PREVIOUS ESTIMATES. END SUMMARY.

1. BUSINESS CONDITIONS IN SAO PAULO HAVE NEVER BEEN BETTER ACCORDING TO BANKING, TRADE AND INDUSTRIAL OBSERVERS. THIS ASSESSMENT IS BORNE OUT BY STATISTICAL INFORMATION WHICH HAS BECOME AVAILABLE IN THE PAST FEW DAYS WHICH REFLECTS A VERY RAPIDLY EXPANDING ECONOMY DURING THE FIRST SIX MONTHS OF 1973. THE BEST INDICATOR OF THIS IS THAT ELECTRIC POWER CONSUMPTION FOR INDUSTRIAL PURPOSES IN THE FIRST SIX MONTHS OF 1973 SET AN ALL TIME RECORD, TOTALING 6,707 MILLION KW, COMPARED WITH 4,950 MILLION KW FOR THE SAME PERIOD IN 1972 OR AN INCREASE OF 15.2 PERCENT.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SAO PA 01777 01 OF 02 131632Z

MILLION KW FOR THE SAME PERIOD IN 1972 OR AN INCREASE OF 15.2 PERCENT.

PERCENT. STEEL PRODUCTION IN THE STATE OF SAO PAULO HAS ALSO RISEN SUBSTANTIALLY AND WOULD HAVE RISEN EVEN FURTHER WERE IT NOT FOR SHORTAGES THAT DEVELOPED IN THE SECOND QUARTER. PRODUCTION OF ROLLED STEEL TOTALED 869 THOUSAND TONS IN THE FIRST SIX MONTHS OF 1973, AN INCREASE OF 18 PERCENT OVER THE 737 THOUSAND TONS WHICH WERE MANUFACTURED IN THE FIRST SIX MONTHS OF 1972.

2. THE AUTOMOTIVE INDUSTRY ALSO DID VERY WELL. IT PRODUCED 335,412 UNITS BETWEEN JANUARY AND JUNE 1973, REFLECTING AN INCREASE OF 13.1 PERCENT OVER THE JANUARY/JUNE 1972 OUTPUT OF 296,782 UNITS. IN JULY, THE AUTOMOTIVE INDUSTRY DID EVEN BETTER, MANUFACTURING 61,000 UNITS AS COMPARED WITH 49,300 UNITS IN JULY 1972. TRACTOR PRODUCTION IS RISING EVEN MORE RAPIDLY, WITH 18,064 TRACTORS PRODUCED IN THE FIRST HALF OF 1973 OR A 21.1 PERCENT ABOVE THE 15,197 UNITS MANUFACTURED DURING THE SAME PERIOD IN 1972.

3. PRODUCTION AND SALES OF ELECTRICAL HOUSEHOLD APPLIANCES ARE ALSO BOOMING. ABINEE, THE LOCAL ELECTRIC PRODUCTS ASSOCIATION, REPORTS A RISE IN PRODUCTION OF APPROXIMATELY 30.1 PERCENT IN ELECTRICAL HOUSEHOLD APPLIANCES IN THE FIRST HALF OF 1973 AND AN INCREASE OF 32 PERCENT IN THE PRODUCTION OF ALL CATEGORIES OF CONSUMER ELECTRONIC GOODS. IN FACT, INDUSTRIAL OUTPUT GENERALLY HAS REACHED SUCH A LEVEL THAT IT IS SERIOUSLY STRAINING EXISTING CAPACITY IN MANY LINES. (A SEPARATE REPORT ON THIS IS UNDER PREPARATION).

4. THE EMPLOYMENT SITUATION IN SAO PAULO HAS ALSO IMPROVED AT A RAPID RATE, WITH A 20 PERCENT INCREASE IN JOBS BEING OFFERED TO SKILLED WORKERS DURING THE FIRST SIX MONTHS, ACCORDING TO A SURVEY MADE BY THE COMMERCIAL ASSOCIATION OF SAO PAULO. THIS SAME TREND IS REFLECTED IN THE SEMI-SKILLED AND UNSKILLED CATEGORIES. IT IS REPORTED THAT THE SAO PAULO CITY CONSTRUCTION INDUSTRY ALONE NEEDS AN ADDITIONAL 30,000 WORKERS NOW AND IS WILLING TO PAY THEM SALARIES THAT VARY FROM 20 TO 50 PERCENT HIGHER THAN IN JUNE OF THIS YEAR--SOME 80 PERCENT OVER THE MINIMUM WAGE, DEPENDING ON THE SKILL OF THE WORKER. (A SEPARATE REPORT IS UNDER PREPARATION ON THE LABOR SITUATION IN SAO PAULO STATE).

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 SAO PA 01777 01 OF 02 131632Z

5. THE LARGER BANKS IN SAO PAULO INFORMED THE CONSULATE GENERAL THAT BY JUNE 1973 THEIR DEPOSITS HAD RISEN AN AVERAGE 24.8 PERCENT OVER DECEMBER 31, 1972 LEVELS, WHILE LOAN OPERATIONS HAD RISEN 25.4 PERCENT (17.4 PERCENT AND 18 PERCENT RESPECTIVELY IN DEFLATED CRUZEIROS BUT EXCLUDING THE MONETARY COLLECTION CLAUSE). EVEN THE STOCK EXCHANGE, IN THE DOLDRUMS SINCE JUNE 1971, RECUPERATED SLIGHTLY WITH A TOTAL VOLUME OF TRADING OF

CR\$5.9 BILLION IN THE FIRST SIX MONTHS OF 1973 AS COMPARED WITH THE CR\$5.3 BILLION TRADED IN THE SAME PERIOD IN 1972. MORE IMPORTANT, HOWEVER, IS THE FACT THAT AFTER APPARENTLY HITTING BOTTOM IN JANUARY AND FEBRUARY 1973, STOCK QUOTATIONS ARE NOW INCHING UPWARD.

6. IN THE PUBLIC SECTOR, TOTAL REVENUE FROM THE ICM TAX (WHICH REPRESENTS 95 PERCENT OF THE SAO PAULO STATE TAX REVENUE) WAS CR\$5.2 BILLION FOR THE PERIOD JANUARY/JUNE 1973 OR 37 PERCENT HIGHER THAN IN THE SAME PERIOD LAST YEAR. THIS IS A SUBSTANTIAL INCREASE IF ONE CONSIDERS THAT THE AD-VALOREM RATE FOR THE ICM WAS REDUCED IN JANUARY 1973 FROM 16 PERCENT TO 15.5 PERCENT.

7. COST-OF-LIVING IN SAO PAULO ROSE 7.4 PERCENT IN THE FIRST 6 MONTHS OF 1973, REFLECTING A SLIGHT GAIN OVER THE SAME PERIOD IN 1972 WHEN PRICES ROSE 9.1 PERCENT. HOWEVER, THERE IS NO REAL IMPROVEMENT SO FAR IN THE ANNUAL RATE OF INFLATION IN THE SAO PAULO AREA, WHICH AS OF JUNE 1973 WAS 16.9 PERCENT FOR THE MOST RECENT 12-MONTH PERIOD. IT IS CLEAR THAT INFLATIONARY PRESSURES WILL NOT SUBSIDE IN SAO PAULO DURING THE SECOND HALF, GIVEN SHORTAGES IN SOME SECTORS AND CONTINUED STRONG DEMAND.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 SAO PA 01777 02 OF 02 131511Z

45

ACTION ARA-20

INFO OCT-01 ADP-00 IGA-02 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-03 USIA-15 PRS-01 SCEM-02 INT-08

AGR-20 RSR-01 L-03 H-03 TAR-02 /189 W

----- 073250

R 131345Z AUG 73

FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 4465

INFTRRUESUD/AMEMBASSY BRASILIA 2542

AMCONSUL RIO DE JANEIRO

AMCONSUL RECIFE

AMCOH L PORTO ALEGRE BY POUCH

AMCONSUL SALVADOR BY POUCH

UNCLAS SECTION 2 OF 2 SAO PAULO 1777

8. FROM THE BRAZILIAN GOVERNMENT'S POINT OF VIEW, THE MOST GRATIFYING DEVELOPMENT IS THE TREMENDOUS GAIN IN SAO PAULO EXPORTS SO FAR IN 1973. RAW MATERIALS, PRIMARY PRODUCTS (EXCLUDING COFFEE) AND SEMI-MANUFACTURES EXPORTED BETWEEN JANUARY AND JULY 1973 TOTALED \$671.5 MILLION OR 41.4 PERCENT MORE THAN IN THE CORRESPONDING PERIOD IN 1972 WHEN EXPORTS TOTALED \$474.7 MILLION. EXPORT GAINS IN MANUFACTURED GOODS ARE EVEN MORE IMPRESSIVE, WITH EXPORTS FOR THE PERIOD JANUARY/JULY 1973 TOTALING \$358.3 MILLION, OR 61 PERCENT MORE THAN THE \$222.6 MILLION WORTH OF MANUFACTURED GOODS THAT WERE EXPORTED BETWEEN JANUARY/JULY 1972. TOTAL EXPORTS, EXCLUDING COFFEE, CHALKED UP AN IMPRESSIVE \$1.029.8 MILLION IN THE PERIOD JANUARY/JULY 1973 OR 47.7 PERCENT MORE THAN THE \$697.3 MILLION THAT WERE EXPORTED IN THE CORRESPONDING PERIOD IN 1972. IT SHOULD BE NOTED THAT IT WAS ONLY IN NOVEMBER 1972 THAT SAO PAULO EXPORTS FOR THAT YEAR TOPPED \$1 BILLION. IN 1973, SAO PAULO EXPORTS HAD EXCEEDED THIS MARK BY JULY 23. THESE FIGURES WOULD HAVE BEEN UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SAO PA 01777 02 OF 02 131511Z

EVEN HIGHER HAD THE GOB NOT PUT RESTRICTIONS ON THE EXPORTATION OF CERTAIN COMMODITIES TO ASSURE DOMESTIC SUPPLY AND REDUCE PRICE PRESSURES.

9. DATA ON THE VALUE OF COFFEE EXPORTS DURING THE FIRST SIX MONTHS ARE NOT AVAILABLE. TRADE SOURCES STATE THAT BRAZIL EXPORTED 8,833,042 BAGS DURING THIS PERIOD AND THAT DOLLAR VALUE OF JANUARY/JUNE COFFEE EXPORTS WAS WELL ABOVE EXCELLENT FIRST HALF LAST YEAR.

10. MAJOR EXPORTS OF PRIMARY PRODUCTS IN 1973 HAVE BEEN COFFEE, SOYA, WHEAT, SUGAR, COTTON, VEGETABLE OILS, AND MEAT. MAJOR EXPORTS OF MANUFACTURED GOODS ARE CANNED MEAT PRODUCTS, GARMENTS, ELECTRICAL EQUIPMENT, ORANGE JUICE, WOOL YARN AND FIBERS, MENTHOL, COTTON YARN FIBERS, SHOES, COTTON CLOTH, SILK, METALLURGICAL PRODUCTS, MOTOR VEHICLES, MINT OIL, CLOTH OTHER THAN COTTON, HARDBOARD, TYPEWRITER AND AUTO PARTS.

11. BUSINESS SOURCES CONSULTED IN THE LAST WEEK EXPRESSED A BULLISH OUTLOOK FOR THE SECOND HALF. THEY ARE ABSOLUTELY CONFIDENT THAT SAO PAULO WILL CONTINUE TO PRODUCE, SELL AND EXPORT MORE DURING THE FINAL SIX MONTHS OF 1973 THAN IT DID DURING THE LAST HALF OF LAST YEAR OR THE FIRST HALF OF THIS YEAR, ONCE AGAIN BREAKING ALL TIME RECORDS. ALL INDEPENDENT INDICATORS POINT IN THE SAME DIRECTION, TOWARD A CONTINUATION OF THE BOOMING ECONOMIC CONDITIONS WHICH CURRENTLY PREVAIL IN SAO PAULO.

CHAPIN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SAOPA01777
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: SAO PAULO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730841/aaaabeat.tel
Line Count: 224
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 10 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10-Jan-2002 by reddocgw>; APPROVED <26 FEB 2002 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SAO PAULO ECONOMY BOOMS IN FIRST HALF OF 1973 SUMMARY - BUSINESS IN SAO PAULO BROKE ALL PAST RECORDS IN THE
TAGS: EGEN, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005